

Is bad credit a total barrier to a home loan?

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Your finances can get a bit out of control sometimes, for all sorts of reasons. Illness, divorce, redundancy – sometimes, just getting overwhelmed with things to do and accidentally missing a bill payment. The end result can be that you get put in the bad credit basket. Even if you sort it out and pay the overdue bills or fix up a default on a loan repayment, you can still have a black mark against your name afterwards. So while you may see yourself in the clear after clearing debt, others might not. Understandably, if you're in that situation it can feel pretty overwhelming. So let's tackle the 'bad credit' issue and help figure out where you stand.

What is bad credit?

'Bad credit' is when you've ended up with a history of not keeping up with some payments and the result is that you're not easily able to get approval for any new loans or credit. The reason many lenders will now steer away from you is because they see you as a high risk. The bottom line is that they're concerned about your ability to make the regular repayments on their loan if you've missed regular payments on other loans in the past.

How do you end up with a bad credit record?

There are a fair few things that can leave you with a 'bad credit' record. For example:

- Having unpaid bills or loan payments
- Going over your credit card limit
- Having been declared bankrupt in the past
- A divorce leaving you in debt
- Registered credit defaults against your name
- A part 9 or 10 Debt Agreement
- Having time off work with no pay because you were ill

- Your credit file having 'too many' credit checks run on it by potential lenders.

How can you know if you have a bad credit record?

Most times you wouldn't really know. It's not until you apply for a loan that you find out. Then you suddenly find you've been labeled 'non-conforming' by the lender you had an application with, because you don't fit their lending rules. It doesn't matter if the credit issues were large, small, or even accidental, in the lender's eyes, the fact that you missed payments has made you a candidate that is now too high-risk.

What can you do?

The good news is that there are more lenders than the major banks out there. And some non-bank lenders are pretty human about it all. They understand that circumstances beyond your control can sometimes lead to a missed payment, default or even bankruptcy. They will talk with you one-on-one to learn more about what went on and then look at how they might be able to work towards a solution for you.

So if you've had a home loan application turned down because you've had credit defaults, it doesn't mean it's definitely over. It also doesn't mean you have to wait to be in the clear before you can apply again. You have options.

There are good non-bank lenders like Pepper Money who may be able to help you. More often than not, they will have some specialist loan features outside a basic or standard variable home loan. Along with taking a more holistic approach, they will usually look at your individual circumstances before making a decision.

If you'd like more information on how to get a home loan if you've had bad credit talk to us today. We may be able to put you in touch with a lender that can help if the major banks have said 'no' to your home loan application.
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